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# Budget 2005



Expenditure Review  
for Sound Financial  
Management

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Delivering on Commitments

# Budget 2005



## Expenditure Review for Sound Financial Management



Department of Finance  
Canada

Ministère des Finances  
Canada



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## **Introduction**

Budget 2005 incorporates almost \$11 billion in new savings over five years—89 per cent from improved efficiencies in government operations—that will be reinvested in Canadians' priorities. This dynamic process of expenditure review and reallocation represents the second step in the cultural shift towards continuing transformation in the way that the Government manages the country's finances.

This transformation began with the first shift, from a culture of repeated federal deficits to one of delivering balanced budgets or better. Budget 2005 again keeps this commitment—for the eighth consecutive year.

However, responsible stewardship of taxpayers' money goes beyond balancing the books. It also requires a continuous quest for smarter financial management within government operations, and a never-ending process of reinvestment from less efficient or effective spending to areas that really matter for our country's future growth. This was a mandate given the Expenditure Review Committee of Cabinet by the Prime Minister, and the budget takes a first but important step in fulfilling this mandate.

It meant examining government operations for efficiency, excellence and relevance. We looked for areas in which existing spending could be reapplied to get more value for the taxpayer dollar, and to address the new and emerging needs of today, instead of just duplicating the way things were done 15 or 20 years ago.

This is the type of financial analysis that Canadian families and firms undertake every day. Families change their spending as careers evolve, as children age and health conditions change. Businesses do the same to meet the opportunities and challenges of new technologies and market competition. Canadians deserve the same realism and resourcefulness from their federal government.

The almost \$11 billion in savings the Committee identified represents a milestone, but not the end of the journey. As Canada's deficit-eliminating experience illustrates, lasting change requires sustained commitment. The Government's commitment can and will continue, so that a permanent culture of value-for-money becomes as ingrained as our record of fiscal prudence and budget success.

The Honourable John McCallum  
Chair, Expenditure Review Committee of Cabinet and  
Minister of National Revenue

## Expenditure Review: Overview

In Budget 2004, the Government announced it was launching several initiatives to strengthen financial management and operational integrity. These included re-establishing the Office of the Comptroller General; strengthening the internal audit functions in federal departments; the application of modern information systems to better track spending; and public disclosure of federal contracts over \$10,000. Budget 2004 also secured the \$1-billion reallocation of funding to higher-priority programs promised in the 2003 budget.

The goal of these initiatives is to help transform the way government works. They aim at serving Canadians better by delivering programs and services in the most effective way possible, and by providing the ongoing financial discipline needed to ensure that every taxpayer dollar the Government spends is a dollar well spent.

In tandem with these measures, the Government also announced the creation of the Expenditure Review Committee (ERC) of Cabinet. Its mandate was to commence a rigorous review of federal spending, testing for relevance, efficiency and excellence, and to submit recommendations to the Prime Minister prior to Budget 2005.

The work of the Expenditure Review Committee, however, is also a mechanism to ensure that tomorrow's government spending is consistent with the social and economic goals of Canadians. Savings identified in the course of expenditure review can provide the Government with further funds to invest in today's priorities and tomorrow's opportunities. This means that, by systematically rooting out waste and inefficiency, and reallocating funds to areas that matter most to Canadians, expenditure review is a win-win process.

Budget 2005 incorporates the ERC's review of federal spending. Over a four-month period, the Committee undertook a detailed, bottom-up review of federal spending both horizontally—government-wide activities—and by individual department. This process resulted in Ministers putting together a package of measures that will begin to transform the way the Government operates and provide almost \$11 billion in savings.

Specifically, as a result of this review:

- Government purchasing will be streamlined, consolidated and made more efficient.
- Property management within the public service will increasingly follow modern management principles.

- The delivery of federal services and programs to Canadians will be improved with “one-stop shopping” by implementing the Service Canada initiative.
- Departments will ensure that their programs are as efficient as possible and the overhead costs minimized to the extent possible—consistent with improved quantity or quality of service where feasible. Programs that do not work will be eliminated.
- Investments that need to be made to achieve this transformation will be undertaken, and are included in determining the savings to be delivered.
- The expenditure review package will be implemented by the Treasury Board.

Combined with the reinvestment of these savings in the federal government’s core responsibilities—being announced in Budget 2005—the expenditure review exercise makes substantial strides in pushing forward the much-needed process of reallocation.

Looking ahead, expenditure review will continue, consistent with the objectives described in Budget 2004.

## Expenditure Review: The Package

The Expenditure Review Committee has identified cumulative savings totalling \$10.9 billion over the next five years, starting with an initial amount of \$837 million in 2005–06. Just over 89 per cent of these savings—\$9.8 billion—will come from improved efficiencies. The overall package has been incorporated in Budget 2005.

There are two key components to the expenditure review savings package: government-wide efficiencies and individual departmental initiatives. Table 1 provides a summary of each component of the package, and highlights the share of total savings coming from the combination of government-wide and departmental efficiencies.

### Government-Wide Efficiencies

Government-wide efficiencies include initiatives on federal purchases (procurement), property management and service delivery.

The package on procurement measures will ensure that the federal government better pursues opportunities to reduce the cost of its purchases, by using the size of the federal government to get the best possible price. To achieve this goal, it will become mandatory for all government departments to buy their products at established prices (known as “standing offers”) negotiated by the Department of Public Works and Government Services Canada (PWGSC). Savings over the five-year period will be \$2.6 billion (Table 1).

The savings on property management are based on more efficient and economic use of available space, and contracting out services where the private sector is less costly. Savings over the five-year period will be \$1 billion (Table 1).

The federal government provides many services and benefits to Canadians—including employment insurance (EI) payments; income security programs such as Old Age Security payments; veterans benefits; grants on contributions to registered education savings plans; and a wide range of business programs and assistance. However, Canadians have expressed growing concern about the complexity of the system, and their ability to access information and service smoothly and swiftly.

The Government agrees that services can be substantially improved—while also reducing overhead cost to the taxpayer. That is why the ERC package proposes to implement Service Canada to provide one-stop service to meet the full range of client needs.

Service Canada will provide Canadians with simpler, more convenient and higher-quality services with increased options. Benefits will include better coordination of the delivery of federal services; a more accessible and effective federal presence in regions; and the elimination of waste, overlap and duplication. Savings over the five years will be \$3.05 billion (Table 1).

## **Departmental Initiatives**

As part of the expenditure review process, individual federal departments were tasked to identify, as a point of reference, expenditure reductions of at least 5 per cent in their direct program spending base (excluding statutory—or legislated—expenditures). These savings were to come from improvements in their operations, and a rigorous assessment of the relevance and effectiveness of current programs. The ERC Ministers reviewed these proposals to ensure that priority areas were not undercut—including inadvertent “horizontal” impacts on other departments.

Cumulative departmental savings over the five-year period will be nearly \$4 billion, the large majority resulting from improved program and administrative efficiencies. Actual program reductions or elimination will provide savings of \$104 million in the first year, rising to \$275 million by year 5—for a total of about \$1 billion (Table 1).

**Table 1**  
*Total Savings—Expenditure Review Package*

	2005–06	2006–07	2007–08	2008–09	2009–10	Total
(millions of dollars)						
<b>Government-wide efficiencies</b>						
Property management	150	150	170	255	300	1,025
Procurement	59	204	598	841	888	2,590
Service delivery	265	420	805	780	780	3,050
Subtotal	474	774	1,573	1,876	1,968	6,665
<b>Departmental initiatives</b>						
Program efficiencies	128	196	320	342	360	1,346
Administrative efficiencies	106	230	353	371	385	1,445
Program elimination/reduction	104	205	274	274	275	1,132
Subtotal	337	631	947	987	1,021	3,923
Employee benefit savings	26	60	67	81	91	325
<b>Grand total</b>	837	1,465	2,587	2,944	3,079	10,913
% from efficiencies						89%

Notes: Italicized numbers denote efficiencies. Calculation of percentage efficiencies excludes employee benefits in the denominator.

## Action on Procurement

The Government believes it must constantly strive to find new ways to reduce the cost of delivering government services and use the resources saved to deliver positive, effective programs that help improve Canadians' well-being. To meet this goal, ensuring that the Government—the largest “enterprise” in Canada—does not overpay for its billions of dollars in purchases, has to be an important objective. The Government believes it can reduce the “procurement” cost through:

- Consolidating purchasing government-wide, so that it can leverage its buying power to get the best possible prices.
- Using a single buyer to negotiate the best possible price.
- Reducing administrative, compliance and reporting costs through more effective use of technology.

### Example: Savings on a Computer

Randy's manager approves his order for a \$2,000 computer from a shop across the street because the system fits his needs perfectly—even though Public Works had negotiated a standing-offer price of \$1,500 for a comparable, but not exactly the same, computer from another supplier.

Had Public Works been able to consolidate purchases like Randy's—and order large quantities of computers under the standing offer—it may have been able to get an even better price of about \$1,200 per system. In other words, getting Randy to buy the computer under the new policy would save the Government—and taxpayers—\$800 on each purchase.

To examine the extent to which potential savings could be realized, the Government of Canada undertook a government-wide review of procurement. An experienced inter-departmental task force interviewed 17 major companies and 13 trade associations; analyzed 176 Procurement Review Committee cases; scrutinized 112 audit reports; and reviewed 4 countries and 10 provinces for best practices in procurement. The ERC accepted the recommendations made by this task force, and they are incorporated in the Budget 2005 savings proposals.

## Action Plan

Moving away from decentralized purchasing, which is now the norm, to coordinated bulk purchasing may reduce managerial flexibility. But this cost appears justified—with exceptions closely managed—in view of the considerable savings it can provide, as shown in Table 2.

**Table 2**  
*Savings Potential for Selected Commodities*

Commodity	Savings potential (per cent)
Commercial software	15
Audiovisual equipment	14
Furniture	20
Office equipment	12
Office supplies	34
Maintenance, repair and overhaul	24
Printing services	12
IT/technical/contract services	14
Overnight delivery/parcel	14

Source: Public Works and Government Services Canada—IBM Report, 2004 (unpublished).

The Government proposes the following action plan to realize procurement savings.

- It will be mandatory for departments to use “standing offers” negotiated by PWGSC, with any exceptions managed centrally.
- It is proposed that the Department of Public Works and Government Services Act be amended to give the Minister of Public Works and Government Services full and exclusive responsibility for procurement of goods and services (delegated as necessary and based on service level agreements with departments).
- PWGSC will have the authority to negotiate for purchases on behalf of the whole of government.
- To ensure that the Government of Canada gets the best possible price for its purchases, each new contract negotiated will include:
  - Dynamic pricing, so a contract can be reopened if prices decline in the marketplace.
  - Lower prices guaranteed by the supplier when a competitor is offering a lower price in “reasonable” situations (except for distress sales).
  - After-the-fact reimbursement for any overpayments.
  - Strengthened vendor performance policy.

- It is proposed that the Financial Administration Act (Section 32) be amended to permit PWGSC to commit to a minimum volume of purchases on behalf of the Government.
- The Canadian International Trade Tribunal (CITT) arbitrates contract-bidding disputes between the federal government and its suppliers. The Government will streamline the CITT regulations regarding disputes with vendors to make them more effective and more consistent with those of our trading partners, particularly the United States.
- PWGSC will develop and implement higher service standards based on the commitment to a 50-per-cent reduction in the time it takes to negotiate a contract.
- A new governance structure for oversight of PWGSC in implementing the action plan will be put in place.
- The Government will monitor and address impacts on small and medium-sized enterprises and regions. An office of small and medium-sized enterprises will be created at PWGSC to assist such firms to access government contracts. Policies will be put in place as required.
- On travel, the federal government will benefit from the new contract it has put in place to get best prices.
- A “green” procurement policy will be developed by 2006 to ensure that the federal government uses environmentally friendly goods and services wherever practical.

Savings through improved procurement practices will reach a cumulative total—after program investments of \$90 million—of some \$2.5 billion over five years (Table 3). Investments will be required to fund the Government of Canada Marketplace (the tool for electronic procurement), an enhanced procurement tracking system, the establishment of commodity management teams, and the set-up of a Core Implementation Group.

**Table 3**  
*Savings—Government Procurement*

	2005–06	2006–07	2007–08	2008–09	2009–10	Total
(millions of dollars)						
Use existing standing offers	53	122	267	311	311	1,064
Get better prices	6	29	228	361	370	994
Travel modernization	–	50	80	115	130	375
Administrative savings	–	3	23	54	77	157
<b>Total savings</b>	<b>59</b>	<b>204</b>	<b>598</b>	<b>841</b>	<b>888</b>	<b>2,590</b>
Investment needed at PWGSC	(20)	(25)	(25)	(20)	–	(90)
<b>Net savings</b>	<b>39</b>	<b>179</b>	<b>573</b>	<b>821</b>	<b>888</b>	<b>2,500</b>

## Action on Property Management

The Government of Canada is the largest single user of office space in Canada. It accommodates some 284,000 public servants in 5.7 million square metres of space. About half of this space is in the National Capital Region.

Analyses undertaken by PWGSC and the Auditor General show that the cost of managing federal property can be reduced through more efficient use of space and by relying on more efficient management. And the potential for savings is large—especially in light of the fact that PWGSC manages over 420 buildings and 2,000 leases on an ongoing basis, and has 1,200 employees engaged in providing architectural, engineering, and property management services to other departments.

## Action Plan

The expenditure review action plan for savings on property management includes the following:

- **Accommodation standards.** The Government will reduce the current average level of space utilization—over 21 square metres per employee—to 18 square metres per employee, a level more consistent with private sector benchmarks. Fit-up standards, for construction, cabling, etc., will also be adjusted from the current average cost of \$400 per square metre to a PWGSC standard of \$313 per square metre.
- **Inventory management.** The Government will improve its leasing strategies to ensure a more strategic use of lower-cost accommodation outside municipal “cores”—downtown areas—and the more timely negotiation of leases to ensure the best possible rate from landlords. This will also include improved management of repairs and maintenance contracts.
- **Outsourcing.** The Government will hire private sector experts in cases where significantly lower fees for project costs and management can be achieved.

Savings from improved property management—after investments of \$100 million—will total \$925 million over five years (Table 4). Investments will be required to develop new information management systems to optimize space use and minimize cost, to provide skills development, and training to perform new tasks.

**Table 4**  
*Savings—Property Management*

	2005–06	2006–07	2007–08	2008–09	2009–10	Total
(millions of dollars)						
Enforcing accommodation standards	50	85	95	120	150	500
Improved inventory management	40	50	60	70	80	300
Outsourcing and overhead reductions	10	15	15	65	70	175
Non-essential capital deferral	50					50
<b>Total savings</b>	<b>150</b>	<b>150</b>	<b>170</b>	<b>255</b>	<b>300</b>	<b>1,025</b>
Investments at PWGSC	(20)	(20)	(20)	(20)	(20)	(100)
<b>Net savings</b>	<b>130</b>	<b>130</b>	<b>150</b>	<b>235</b>	<b>280</b>	<b>925</b>

## Service Canada

The concept of Service Canada—a “one-stop” point for Canadians to receive all their government services—is not new. The Expenditure Review Committee examined the concept, reviewed the work done to date and undertook new work—and concluded this was indeed an idea whose time has come. In fact, the Service Canada model fits perfectly with the ERC mandate of finding ways to improve the delivery of federal programs and also lowering costs.

The federal government provides a wide range of benefits and services to Canadians—everything from paying EI benefits to issuing passports to accepting tax returns and payments on-line. However, Canadians have concerns about how complex government has become, and how many separate departments or programs they have to deal with. They often ask why they have to fill out so many forms asking the same information. And they wonder why they get “bounced around” from one place to another—instead of a single point of contact for all of their business with government.

## Action Plan

The Expenditure Review Committee has confirmed that the Government needs to fundamentally transform the way Canadians get their services from the Government. Service Canada will be one of the biggest single reforms ever in federal operations, and will be accomplished on a government-wide basis. When completed, over a three-year period, it will:

1. Deliver seamless service that is integrated, easy to access, simple to use, and tailored for the individual circumstance. Canadians will be able to get benefit payments without having to apply or complete a multitude of forms, and resolve the majority of any issues, needs or problems they have on a single, first contact with the Government.
2. Enhance the integrity of programs by building public trust and confidence and ensuring that the right client receives the right service or benefit at the right time and for the intended purpose.
3. Bring together the many services and benefits offered to Canadians by creating a common, integrated service delivery capability.
4. Make government more accountable—to citizens and to Parliament—for delivering better service and more effective use of hard-earned tax dollars.

## Better Service: Example 1

### For persons with disabilities

- Today, a person with a disability is offered separate service by multiple federal departments, other levels of government and private organizations. In fact, some 44 separate government programs for persons with disabilities can be found on the Canada Benefits site.
- Many of these programs have their own channels for delivering service, with a multitude of offices, phone numbers and Internet sites. They don't share information easily or quickly, even when they have similar information requirements (for example, the disability tax credit and CPP disability pension).
- In addition, if applicants find out they aren't eligible for a program, they are not always directed to other supports that might be available.
- Service Canada will provide "one-stop" service for the delivery of services and benefits for persons with disabilities. This means that citizens will be able to go to one place and get the complete set of services and benefits they need. They will only have to provide information once—simply, easily and with dignity. They will have the choice of how they get service—in person, by phone, over the Internet or through the mail.
- To accomplish this, application requirements and processes will be more integrated. This could be done as a start across federal departments for the disability tax credit (Canada Revenue Agency), CPP disability pension and disability pensions offered through Veterans Affairs.

## Better Service: Example 2

### Reporting a death in the family

At least 10 separate interactions with government are required to notify government of a death (to stop Old Age Security, CPP, and/or Veterans Allowance payments, or to deactivate a Social Insurance Number). And delayed death notifications result in \$100 million per year in CPP and Old Age Security overpayments. Also, it takes two months on average for the Government to be notified with a paper copy of the death certificate.

In the future, citizens will be able to notify provincial vital statistics organizations once of a death in the family. This information will then be provided electronically to the Social Insurance Registry managed by Service Canada, which then will provide notification of death to multiple government programs.

## Better Service: Example 3

### For the birth of a child

Very soon after the birth of a child, new parents have to fill out numerous applications required by different government agencies. Instead of applying separately for EI parental benefits, a birth registration, a birth certificate, a new Social Insurance Number, a new health card and a Canada Education Savings Grant, Service Canada will work towards combining these multiple processes into one step.

The service transformation will also reform how government works by:

- Becoming citizen-centred and achieving better social outcomes.
- Strengthening access to federal points of service and relevance in regions and communities.
- Materially reducing red tape.
- Realizing significant cost savings.

Two types of savings will be delivered through the Service Canada initiative. First, operational savings of \$1.5 billion will be realized from the beneficial impacts of technology-related investments, such as automating extensive paper processing and improving the efficiency of call centres. Second, a further \$1.5 billion in program savings will result from reducing overpayments in the EI/CPP programs. However, due to required operational investments—to consolidate offices with other federal departments and other levels of government under the Service Canada “brand,” and technological changes to support citizen-centred services and secure delivery channels—net savings will total \$2.5 billion over the five years (Table 5).

**Table 5**  
*Savings—Service Canada Proposal*

	2005–06	2006–07	2007–08	2008–09	2009–10	Total
(millions of dollars)						
Operating	165	215	390	365	365	1,500
Program	100	205	415	415	415	1,550
<b>Total savings</b>	<b>265</b>	<b>420</b>	<b>805</b>	<b>780</b>	<b>780</b>	<b>3,050</b>
Investments, other than secure channel	65	65	60	30	30	250
Secure channel	—	—	80	85	85	250
<b>Net savings</b>	<b>200</b>	<b>355</b>	<b>665</b>	<b>665</b>	<b>665</b>	<b>2,550</b>

## Departmental Savings

The ERC reviewed departmental programs to identify three sources of savings: reductions in the cost of delivering programs (program efficiencies); reductions in the overhead cost of running the department (administrative efficiencies); and the elimination or scaling back of programs that have become inefficient or less relevant.

Departments were tasked to undertake a review of their spending, and as a point of reference, provide proposals to the Expenditure Review Committee on potential expenditure reductions of at least 5 per cent on their non-statutory, direct program spending base, covering operations and transfer payments. In aggregate, this spending base was estimated to total some \$42 billion.

However, certain types of spending were excluded from the overall base to ensure that the proposed savings were realistic and realizable. The focus was on the discretionary portion of departments' and agencies' appropriations voted by Parliament. The exemptions included:

- Statutory spending that requires legislative change, because these expenditures are largely non-discretionary, and include employee benefit plans (superannuation, CPP/QPP contributions) and statutory personnel (such as federal judges).
- Separately controlled operating expenditures, which are also largely non-discretionary. An example is the Treasury Board Secretariat's costs for Public Service insurance (health care, disability insurance, dental plan, etc.).
- Major capital expenditures.
- Some grants and contributions were also considered non-discretionary and exempted—mostly those that go to other orders of government, or for First Nations.

## Program Efficiency Savings: Examples

The **Atlantic Canada Opportunities Agency** (ACOA) has established innovation funds for each individual region. This naturally leads to the outcome that worthwhile projects in one area may go unfunded while ones that may be less worthy in other areas are funded. ACOA has decided to pool these funds and support the very best proposals. This provides an opportunity to share ideas, improves the quality of the projects and reduces costs.

The **Canada Revenue Agency** (CRA) does manual data entry for processing and reassessment of personal and business tax forms. This is costly, time-consuming and prone to errors. The CRA will install a new system of coding for electronically prepared tax returns to improve service to Canadians, reduce errors and cut down on costs.

The **Department of Fisheries and Oceans** (DFO) uses armed fisheries officers to enforce fish habitats. This is costly, often unnecessary, and viewed as excessive in some situations. The DFO is modernizing its approach, including greater reliance on education programs and significantly reducing low-risk referrals. This will achieve program objectives at reduced costs, particularly in the Prairie provinces.

## Administrative Efficiency Savings: Examples

**Natural Resources Canada** will cut costs by eliminating overlap and duplication through consolidation of its corporate services involved in information management and technology, finance, communications, administrative support and human resources.

The **Canadian Food Inspection Agency** will reduce its operating costs by accelerating the use of "electronic travel" (teleconferencing), modernizing its pay services, and changing how it manages the use of its vehicles.

## Program Reduction Savings: Examples

**Agriculture and Agri-Food Canada** provides financial support for the promotion of Canadian products for export. It does so not only by supporting the sector associations, but also by providing financial assistance directly to large multinational companies. This is duplication of financial assistance. In the future, support will only be provided through the sector associations.

The **Canadian International Development Agency** (CIDA) provides assistance to many countries. However, some of these nations have made significant progress, to the point where they do not need further support. CIDA is proposing to reduce its assistance in such cases. In other countries, due to a variety of factors, the effectiveness of Canadian assistance may be limited, despite the agency's best efforts. In such circumstances, it is better to channel assistance to countries with the most need, and where Canadian support can have the greatest impact. This is what CIDA is proposing to do.

The departmental proposals—having been approved for consideration by their Ministers—then went to a detailed proposal-by-proposal review by the Expenditure Review Committee members. After seeking amendments or additions to some of the proposals, the Committee put together a final package of departmental initiatives. This means that the ERC package does not represent pro-forma across-the-board cuts, an outcome the Government had ruled out from the start.

In making its decisions, the Committee applied a number of “lenses”—regional and gender impacts in particular. As well, the Committee took care to assure itself that the package as a whole did not have negative effects in important areas of public policy (science, environment and official languages, for example).

The final departmental savings package totals nearly \$4 billion over five years, with the vast majority resulting from improved program and administrative efficiencies. Actual program reductions or elimination will provide savings of \$104 million in the first year, rising to \$275 million by year 5—for a total of about \$1 billion. A summary list of savings is contained in the concluding annex.

## Reinvesting ERC Savings

Expenditure review is not a one-time exercise, but the beginning of a new management culture in the Government of Canada. The ERC savings will be invested in the highest priorities of Canadians.

About \$2.3 billion of the total savings will be achieved through improved efficiency in the EI program, and a further \$150 million in the CPP. The Government is committed to maintaining EI premiums equal to program costs. Therefore, savings related to the administration of the EI program will be used to either reduce premiums or enhance benefits. Savings related to the CPP program will contribute to ensuring the ongoing soundness of the public pension system.

The remaining savings, about \$8.5 billion, will be reallocated to fund federal programs in new priority areas such as national defence and security, the environment, support for Aboriginal Canadians, and maintaining the integrity of core government operations.

**Table 6**  
*Sources and Uses of the Expenditure Review*

Total ERC savings	(billions of dollars)	Examples of priorities funded by ERC savings
Service delivery	3.1	Defence
Procurement	2.6	National security
Property management	1.0	Environment
Departmental initiatives	3.9	Aboriginal Canadians
Employee benefit savings	0.3	Research and development
Total	10.9	Program integrity <sup>1</sup> Reduce EI premiums/ increase benefits Improve CPP account balance

<sup>1</sup> Investments needed to address departmental service levels in key areas of federal responsibility and to maintain capital property.

## Impact on Federal Employment

Expenditure review is about reallocation. This means finding savings—by doing things better and reducing spending on old programs—so that these savings can be reinvested in new federal programs and priorities that Canadians want. This implies that the overall size of government remains stable, and that successful expenditure review should not lead to any significant loss in total federal employment.

This does not mean that jobs will not be affected. To the extent that there is a mismatch between the skill requirements for old and new programs, there are likely to be some impacts.

In preparing its proposed savings package, the ERC undertook an extensive analysis of the consequences for federal employment, including from regional perspectives. Key points of this analysis include:

- Taking into account the attrition rates, opportunities for retraining, and replacing term workers with full-time employees declared surplus, the net jobs impact of the ERC package over five years is estimated to be about 1 per cent of the current level of employment. Employees losing their jobs will be entitled to assistance and financial support under existing workforce adjustment programs.
- The regional impact of the ERC savings is equitably balanced across all regions of Canada. This was not by accident, as one of the tests used by the Committee in designing the package was to ensure that no region would be unduly affected.

To put the employment impact of expenditure review in perspective—taking into account reinvestment of ERC savings—it is noteworthy that, as a result of the Program Review of the mid-1990s, federal public service employment fell from a peak of 288,409 in 1993–94, to 239,093 by 1998–99—a drop of almost 50,000. Furthermore, over the last five years, the number of federal employees has increased by a similar amount.

## Conclusion

The expenditure review package is a vital element in Budget 2005, delivering on the Government's commitment to provide more responsible, accountable and transparent stewardship of taxpayers' dollars. This is hard evidence that not only has the Government been listening to Canadians, but that it remains willing to take the concrete action and innovative steps needed to deliver good public policy and good financial management.

As this budget sets out, the ERC savings will be benefiting Canadians this year and in the years ahead—by helping fund new investments in protecting our environment; in Aboriginal well-being; in renewing our defence capability; in greater support for research and development; and in international assistance. It is an ambitious list, but one made achievable by the hard work and real results that expenditure review has put in motion.

The Prime Minister has indicated that the review of federal spending will continue.

More detailed information on savings measures by individual federal departments is available on the Expenditure Review Committee Web page at [www.expenditurereview-examendesdepenses.gc.ca](http://www.expenditurereview-examendesdepenses.gc.ca). A link to this page is also available through the Department of Finance Canada Budget 2005 Web page at [www.fin.gc.ca/budtoce/2005/budliste.htm](http://www.fin.gc.ca/budtoce/2005/budliste.htm).

**Annex***Departmental Savings Initiatives*

Department	2005–06	2006–07	2007–08	2008–09	2009–10	Total
(millions of dollars)						
Agriculture and Agri-Food Canada (AGR)	25.0	30.0	35.0	45.0	45.0	180.0
AGR—Canadian Food Inspection Agency	3.6	5.1	20.1	20.1	20.1	69.0
AGR—Canadian Grain Commission	0.6	0.7	0.9	0.9	0.9	3.9
Atlantic Canada Opportunities Agency	7.1	14.0	21.0	21.0	21.0	84.1
Canada Revenue Agency	35.1	73.8	110.0	110.0	110.0	438.9
Canadian Heritage	2.0	6.0	10.0	10.0	10.0	38.0
Canadian International Development Agency	40.9	74.0	114.4	114.4	114.4	458.1
Citizenship and Immigration Canada	1.2	8.0	17.5	18.8	20.0	65.5
Canada Economic Development for Quebec Regions	4.4	8.4	11.3	11.3	11.3	46.9
Environment Canada (EC)	4.3	10.2	17.1	17.1	17.1	65.6
EC—Canadian Environmental Assessment Agency	0.05	0.1	0.15	0.15	0.15	0.6
Department of Finance Canada	1.8	3.5	5.3	5.3	5.3	21.2
Fisheries and Oceans Canada	18.7	20.8	34.7	39.2	40.7	154.0
DFAIT (Foreign Affairs)	4.0	13.0	32.0	32.0	32.0	113.0
Governor General of Canada	0.3	0.6	0.8	0.8	0.8	3.3
Health Canada	20.0	43.9	68.4	68.4	68.4	269.1
Human Resources and Skills Development Canada	12.0	20.0	20.0	20.0	20.0	92.0
Indian and Northern Affairs Canada	20.0	45.0	65.0	65.0	65.0	260.0

**Annex (cont'd)***Departmental Savings Initiatives*

Department	2005-06	2006-07	2007-08	2008-09	2009-10	Total
(millions of dollars)						
Industry Canada	14.2	32.3	51.2	51.2	51.2	200.1
DFAIT (International Trade)	1.6	2.8	4.5	4.5	4.5	17.8
Department of Justice Canada	12.2	14.2	16.2	16.2	16.2	75.2
National Defence	34.0	88.0	143.0	172.0	203.0	640.0
Natural Resources Canada	26.5	28.9	30.6	25.3	25.2	136.6
Privy Council Office (PCO)	2.1	4.2	6.3	6.3	6.3	25.2
PCO—Indian Residential Schools Resolution Canada	1.6	3.1	4.7	4.7	4.7	18.8
Public Safety and Emergency Preparedness Canada (PSEP)—Royal Canadian Mounted Police	1.0	3.4	5.1	5.1	5.1	19.9
PSEP—Canada Border Services Agency	1.7	3.0	3.4	3.4	3.4	14.9
Public Works and Government Services Canada	8.0	16.0	23.0	23.0	23.0	93.0
Social Development Canada	11.2	13.9	17.5	17.5	17.5	77.6
Transport Canada	5.4	11.4	17.2	17.2	17.2	68.5
Treasury Board of Canada Secretariat (TB)	1.4	2.3	4.2	4.2	4.2	16.3
TB—Canada School of Public Service	0.5	0.9	1.4	1.4	1.4	5.6
TB—Public Service Human Resources Management Agency of Canada	8.5	16.9	17.2	17.2	17.2	77.0
Veterans Affairs Canada	3.2	6.4	9.3	9.3	9.3	37.5
Western Economic Diversification Canada	3.1	6.0	8.8	8.8	8.8	35.5
<b>Total</b>	<b>337</b>	<b>631</b>	<b>947</b>	<b>987</b>	<b>1,021</b>	<b>3,923</b>





